The New Unemployment Insurance Law:
Overview of Benefit and Tax Implications
Provided by the Washington State
Employment Security Department
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On June 20th, the governor signed the most comprehensive changes to the state unemployment insurance system since experience rating was implemented in 1984. The full impact of the changes will not be felt until 2007 because of the implementation timeline and the multi-year calculations in some parts of the law. But many benefit changes take place right away and substantial reductions in benefits will take place from January 2004 onward.

BENEFIT CHANGES

Prior to the new law, maximum weekly benefits were 70 percent of the state average weekly wage, claimants could draw up to 30 weeks of benefits, and benefit levels were based on the highest two quarters of earnings during a claimants benefit year. When the new law is fully implemented, maximum benefits will be 63 percent of the state average weekly wage, claimants will draw a maximum of 26 weeks, and their benefit levels will be based on an average of their full-year's earnings.

All claimants will see a reduction in their benefit levels, either because of the changed benefit level calculations or because of the reduced maximum duration of benefits from 30 to 26 weeks. Claimants with irregular earnings history will see a significant reduction as a result of the averaging of four quarters of income instead of the two highest quarters.

TAX CHANGES

The new tax system represents a fundamental departure from previous state law. The post-1984 structure of rate classes based on employer layoff history relative to other employers and tax schedules based on trust fund levels has been eliminated. The new system is based on rate classes that more closely reflect individual employer layoff history. Benefit outlays that are not captured by experience rating are summarized in a "social cost factor" that is added to all employer tax rates on the basis of a sliding scale and capped maximum.

A full discussion of the new system is beyond the scope of this summary, but the implications are significant for Washington state employers. The following table shows the tax and benefit impact over future years. The timeframe chosen reflects the time horizon of the Forecast Council – going beyond 2007 for estimates would compromise the quality of the data significantly.

SUMMARY OF PROGRAM FORECASTS
Dollars in Millions

Previous Law	Beginning Trust Fund	Benefits Paid	Tax Revenue	Interest	Year-End Trust Fund
2004	$1,214.2	$1,301.7	$1,289.0	$72.8	$1,274.3
2005	$1,274.3	$1,280.3	$1,115.1	$76.5	$1,185.7
2006	$1,185.7	$1,282.9	$1,188.5	$73.4	$1,199.3
2007	$1,321.5	$1,285.6	$1,224.3	$78.0	$1,216.0
2004-2007		$5,150.4	$4,816.9	$300.7	
New Law					
2004	$1,214.2	$1,227.6	$1,289.0	$72.8	$1,156.2
2005	$1,156.2	$1,229.3	$1,083.7	$69.4	$1,080.0
2006	$1,080.0	$1,230.5	$1,086.8	$66.9	$1,003.2
2007	$1,003.2	$1,144.7	$1,147.1	$65.2	$1,070.8
2004-2007		$4,832.2	$4,606.7	$274.3	
Difference					
2004-2007		-$283.5	-$210.2	-$26.4	
Source: Employment Security Department, UI Research and Analysis Division.					

The table shows significant and increasing savings from benefit cuts and tax changes. Because some calculations use many years of data and because the maximum benefit change will mean greater savings over time, the annual savings in later years will be even greater than the table suggests.